3-Kemeny G-5 (1945-48)1953 EC1 Hungary EC1

433 with the disruption of transport and the breakdown of the whole fabric of public administration.

Official figures compare industrial activity before and after the war as follows:

	1945	1938
Total number of factories*	4,341	3,990
out of which		
working with over 70 per cent capacity	186	1,229
working at 31–70 per cent capacity	1,062	1,916
working under 30 per cent capacity	1,984	486
completely out of work	1,109	89

* Plants employing more than twenty workers when in full swing.

A further factor gravely impairing output was the lack of labour discipline, while food conditions were so miserable in the first post-war year as to make the labourers physically unable to perform regular work.

● [316] In 1945 coal output, with about the same personnel in the mines as in 1938, fell to roughly a half of the pre-war achievement. In that year aggregate man-hours in manufactures were roughly 50 per cent of the pre-war level.[1]

[241] [231] In agriculture the bread-grain crop of 1945 was approximately a third of a normal harvest. In livestock heavy war damage had been suffered, though official statements, according to which over 40 per cent of cattle and 60 per cent of the pig population had been lost, were thought by some experts to be rather exaggerated. Recovery in agriculture was necessarily slow, and adverse conditions for cultivation (lack of draught animals and of tractors, as well as of fertilizers), coupled with a sequence of droughts, played havoc with successive crops.

In industry the process of restoration started as soon as wholesale dismantling had ceased. Industrialists took advantage of credits in a rapidly depreciating currency to rebuild and, if possible, to modernize their plants. As to the efficiency of labour, the financial reorganization, which put an end to a galloping inflation in August 1946, provided a basis for the gradual raising of industrial output per head.

[1] The following figures cast some light on the development and the structure of manufacturing industry:

	Power equipment in 1,000 H.P.			Number of workers employed (yearly averages)	
	1938	1943	1945	1938	1945
Total	1,552	1,965	1,746*	288,000	179,000
Iron, metal, and engineering	293			91,000	71,000
Power generating	727			7,000	8,000
Textile	98			64,000	28,000
Food	223			34,000	24,000
Chemical	71			16,000	13,000

* Approximate figure.

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433 tion in the closing Plan year resulted in a still greater disproportion between the rate of increase in the overall production in manufactures and the expansion of steel output:

RATE OF INCREASE IN PERCENTAGES

	1947–8 compared with 1946–7	*1949 compared with 1947–8* (a)	(b)
General index of production in manufactures	54·5	46·7	65
Steel output	41	17·7	

(*a*) based on the figures as recorded successively.
(*b*) based on the revised figures.

In view of the discrepancy revealed by these figures it might be questioned whether, based on a 17·7 per cent rise in steel output, a general expansion of industrial production even at the more moderate rate of 46·7 per cent was feasible.

433 316 A few specific facts on the development of productivity in coal mining might cast some light on the prevailing tendency. It is not suggested that productivity in the coal pits would develop precisely in line with efficiency in manufacturing industry. There is, however, a case for supposing that, as a result of a similar change in underlying conditions (better food, regular raw-material supplies, restored labour discipline, and improved equipment), the general trend of productivity would be parallel in both sections of the economy. Moreover, the data related to coal mining offer a firmer basis for the calculation of productivity since, instead of a vague general index of production, output in quantities is available. The facts read as follows.

	Output in million tons	*Workers employed (Yearly average)*
1938	9·3	37,100
1949	11·5	59,500

The figures require qualification in order to draw a fair comparison of productivity. The eight-hour shifts worked by the miners before the war meant an effective eight hours' work, exclusive of the time needed to get to the coal-face and to return to the pit-entrance. Since the end of the war this going to and returning from the coal-face was included in the eight-hour shift, implying that according to the distances, effective work was done for six to seven hours. Thus, given unchanged productivity of labour, a number of miners exceeding by 18 to 20 per cent the pre-war labour force would be required to extract an equal amount of coal. Making allowance for this change in net working hours the table above discloses a 24 per cent rise in output and an increase of 36 per cent in the labour force. This degree of productivity in mining cannot easily be reconciled with the progress officially claimed.

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The poor result is the more remarkable as much attention was given to the mechanization of the coal mines.[1]

On all these grounds put forward the claim has to be dismissed that subsequent to the Plan period a substantial addition to the output as recorded previously would have been discovered, entailing a most impressive improvement in productivity. A scrutiny of the facts indicates that the revision of the earlier figures did not result from the elimination of some statistical errors, but was a piece of political propaganda.

Developments during 1949 widened the gap between the cost and the productivity of labour. It was officially stated that average hourly wages in manufactures rose between January 1947 and December 1948 by 86 per cent. For the first half of 1949 a further 20 per cent rise was announced. Taking the figure for January 1947 as representing the average wage for 1946–7 (an assumption not quite correct, yet near the facts), in 1949 wage costs were roughly 120 per cent higher than in the basic year. Productivity in manufactures rose from about 69 in 1946–7 (1938 = 100) to 96 per cent by the end of 1948. As pointed out, further development of productivity was, if any, only slight, so that a rise of some 50 per cent in productivity compared with a 120 per cent rise in wages. While this kind of overall figure is far from providing a precise yard-stick, it does point to the existence of a considerable maladjustment between wage costs and productivity of labour. As it seems, the growth of wage costs has outstripped the cost-saving effects of greater labour efficiency. Improvements of the social services contributed to augment labour costs. According to a trade-union expert the outlay for health service and social insurance per head doubled in the first Plan year, and the final report of the National Planning Department says that the whole cost of social services in 1949 was met by employers' contributions amounting to 38 per cent of the pay-roll. There were no workers' contributions in the form of deductions from wages.

Labour costs evidently presented the main problem, but by no means the only one. In dealing with the costs of production, the head of the National Planning Department complained of the use of quantities of fuel and materials well above peace-time levels, and of the very little economy attained in this respect during the first Plan year. A matter of serious concern was the high rate of waste. In heavy industry it exceeded the pre-war

[1] In the first year of the Plan 110 million forint were spent on the re-equipment and extension of coal mining (total industrial investment including mining 792 million). For the later phases no figures are available, yet it was officially stressed that much had been done towards mechanization.

investments in agriculture, the building of an estimated 120,000 cottages, mostly out of private funds, and the electrification of 500 villages are cited, besides the reconstruction of a large fertilizer and explosives works, the enlargement of a big tractor and armored car plant, etc.

A rather surprising achievement was the great increase in the area of the state-owned estates to 312,000 hectares from 151,000 hectares in 1938. In addition, 213,000 hectares were farmed by collectives. As all the forests became state property in 1945 and the state also owned fisheries and other agricultural property, the total "collective" sector in agriculture covered 1.5 million hectares—18 percent of the total acreage and 7 percent of the acreage under crops.

Mining and Metallurgy

The plan aimed at raising the value of the gross output of mining and metallurgy from 1.1 billion forints in 1946-47 to 1.2 billion in the first year and 1.5 billion in the third when a level 38 percent above prewar was to be reached. The prewar output was 1.2 billion forints. As there had been considerable development in the years 1938-44, and the gross output may have been near the 2.0 billion mark in 1944, the mark set was somewhat lower than the level that had been reached.

The goals looked more formidable when compared with the output in 1946-47, although recovery in mining, especially coal, had been fairly quick. They are set out in the following table:

Output, million tons

	Planned		Actual		
	1949-50	1947-48	1946-47	1948	(1943)
Coal	11.60	9.30	7.75	9.34	(12.70)
Iron ore	0.28	0.21	0.21	0.30	(0.34)
Bauxite	0.40	0.22	0.25	0.54	(1.00)
Oil	0.66	0.54[20]	0.64	0.04	(0.84)

For the development of the mining industry, 493 million forints were earmarked. This sum was to be used for the reconditioning of existing mines, some mechanization of coal mining, the developing of new pits, and the building of two flotation plants to utilize low-grade ores.

20. Oil production was forced during the war under German pressure and was maintained at a high level under Russian management in 1945-47. It had to be reduced in order to prevent the untimely exhaustion of the wells.

In the first year the budgeted sum was exceeded by 15 percent, but no information is available concerning the final sum spent. In the Final Report, no separate figures are given for mining which is lumped together with heavy industry. It was claimed that seven new pits had been opened; progress had been made with mechanization and two flotation plants had been built to utilize low-grade ores.[21]

Production in the first year increased considerably and, except for oil, exceeded the aims set, especially in manganese ore. The output of coal reached 9.9 million tons, iron ore 258,000 tons, bauxite 400,000 tons, and oil 496,000 tons. For 1949 only percentages are available. Translated into quantities, production appears to have reached 11.8 million tons in coal, 339,000 tons in iron ore, 561,000 tons in bauxite, and 503,000 tons in oil. Compared with the targets set for 1949-50, the output of iron ore and bauxite were considerably higher than originally planned, the output of coal was slightly higher, while oil was 24 percent less.[22]

According to the text of the plan, metallurgy ranked second only to mining in importance. The aim was to raise the production of pig iron from 258,000 tons in 1946-47 to 360,000 tons in the first year and to 420,000 tons in the third; steel production from 510,000 tons to 660,000 tons, and 800,000 tons respectively. Production in 1938 amounted to 335,000 tons in pig iron and 647,000 tons in steel and reached 417,000 and 776,000 tons respectively in 1943. Besides increasing output, efficiency of production was to be improved through the reconditioning and modernizing of the plants, undertaking the production of ferromanganese and resuming the production of ferrosilica.[23]

Investments in metallurgy were to total 26 million forints in the first year and 58 million forints in three years. In addition, 20 million forints were to be invested in aluminum metallurgy and 166 million in the processing of bauxite.[24]

It was aimed to raise aluminum production from 3,700 tons in 1946-47 to 5,000 tons in the first year and 12,000 tons in the

21. One in Ozd for iron ore and one in Diosgyoer for manganese.

22. For volume of aggregate output see Tables IV, Va and Vb in the Appendix.

23. Before the war Hungary exported low-grade manganese ore and imported ferromanganese. The ferrosilica plant (Zagyvarona) was destroyed during the war.

24. Investments in metallurgy are scattered under various sections. Iron metallurgy is a section by itself, aluminum metallurgy appears under the iron and metal industry, the processing of bauxite into aluminum oxide under the chemical industry.

hectares of acid soils. At the same time, large-scale experiments are to be organized to discover and test methods to improve such soils, which cover about 500,000 hectares in Hungary. The plan also provides for the planting of forests on 29,000 hectares and for the reforestation of another 45,000 hectares of denuded forest land. The aim is to add yearly 300,000 cubic meters to the standing timber to make up for the inroads made on the forests before and during the war. Before the war, 17,000-23,000 hectares were reforested in a year, including new plantations.

In agricultural research, the systems of crop rotation successfully practiced in the Soviet Union will be tested and new plants (kenaf, kok-sagiz, tea, citrus fruits and cotton were specifically mentioned in an official statement) will be introduced. A cotton acreage of 58,000 hectares is planned for 1954. In 1949 cotton growing was still in an experimental stage.

Investments in agriculture will amount to 8.0 billion forints, with indirect investments raising the total to 12.5 billions. Half of the sum to be spent on agriculture will serve mechanization.

As the prevalence of fragmented small holdings hinders accomplishment of the production plans, the collectivization of agriculture will be speeded up. In 1949 only 40,000 peasant families worked on collective farms and the acreage so farmed was given as 184,000 hectares.[10] The First Five Year Plan will thus bring about the socialist transformation of agriculture and rural society. As a result, the most important social reform of the postwar period, the Communist sponsored Land Reform of 1945 is to be completely reversed. This reform destroyed the existing large units and, through the creation in their stead of small subsistence farms of about 4 hectares, made mechanization and efficient farming impossible. Even the older peasant farms, most of them of less than 10 hectares, will be liquidated and turned into collectives.

Mining and Metallurgy[11]

The gross output of mining will be increased by 55 percent over 1949 and will reach 2.2 billion forints in 1954. In 1949 it was 40 percent above that of 1938. With the planned increase, it will be more than twice as high. The production of coal is to be increased from 11.8 million tons in 1949 to 18.5 million tons in

10. The number of peasant families is well over 12 million and the total acreage under crops is 5.6 million hectares.

11. Available figures are summarized in Tables III, IV, Va and Vb in the Appendix.

1954, that is, an increase of 64 percent. That output is nearly twice as great as that of 1938 and is much higher than the wartime peak of 12.7 million tons. Production of bauxite and oil is to be considerably increased but no figures are given. The 2.5 billion forints to be invested in mining will be spent mainly on mechanizing operations.

In metallurgy, the planned increase in gross output is 95 percent above that of 1949. The value of output given for 1954 is 4.7 billion forints which is 2.6 times greater than the 1938 value.

The production of pig iron will be increased from 428,000 tons in 1949 to 960,000 tons in 1954, that of steel from 890,000 tons to 1,600,000 tons. This represents increases of 125 and 91 percent over 1949 and of 187 and 150 percent over 1938.[12]

To achieve the contemplated rise, 4.0 billion forints will be invested in constructing a modern blast furnace of large capacity in addition to the six existing, in the construction of another furnace for the production of ferromanganese, another electric aluminum furnace and a steel mill. Mohacs, a small town on the Danube, not very far from Yugoslavia, will be developed into a large center of heavy industry. The high grade brown coal deposits of Pecs are not very far away and there is some poor iron ore, the working of which was long ago abandoned.

Power

The production of power, 2.2 billion KW hours in 1949, already slightly greater than the wartime peak, is to reach 4.3 billion KW hours in 1954, that is, it will be nearly doubled and will require investments of 3.3 billion forints. The plan provides for the modernization of existing plants, for the construction of 20 new power plants to utilize low grade coal, and also for the construction of a hydroelectric plant (Tiszaloek) and another utilizing natural gas (Lovaszi). The construction of the former will, incidentally, bring to completion a large-scale project for river regulation and irrigation begun but not completed before the war.

12. As Czechoslovakia and Romania inherited most of the iron resources of the Carpathian Basin, the heavy industry of Hungary depended on imports of essential raw materials. Forty-three percent of the iron ore, 20 percent of the pig iron, 81 percent of the coke, 73 percent of the limestone, 52 percent of the scrap iron used had to be imported. Difficulties in the supply of raw materials and costs handicapped the development of heavy industry in the interwar period. Germany, an important source of supply before World War II, was replaced by the Soviet Union.

THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

While mechanization in agriculture progressed, 211 new tractor stations being set up and 4,500 tractors added to an existing stock of 12,500, the plan fell short of its goal in the agricultural sector, with the exception of livestock which reached the prewar level. Crop production in 1949 reached only 77 percent of prewar, a near disaster.

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In mining and metallurgy the plan aimed at 38 percent above the prewar level. It called for an output valued at 1.5 billion forints compared with 1.2 billion in 1938 and an estimated 2.0 billion in 1943/44. In 1949 Hungary produced 11,844,000 tons of coal and lignite, 293,000 tons of iron ore, 428,000 tons of pig iron, 850,000 tons of steel, 561,000 tons of bauxite, 17,000 tons of alumimum, 45,000 tons of manganese ore concentrates, and smaller amounts of copper and lead ores. With the exception of oil and a few other smaller items the plan was reached or surpassed.

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The output of power ran about 20 percent ahead of the plan and reached 2.36 billion kilowatt-hours in 1949 compared with 1.4 and 2.1 billion kilowatt-hours in 1938 and 1943 respectively.

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The gross output of manufacturing, excluding electricity, was to be more than doubled to a level of 16.5 billion forints in 1949. While it was officially claimed that the plan was overfulfilled by 21 percent, which would put the value of the 1949 manufacturing output (including electricity) at 20.8 billion forints, this claim is definitely too high and should be revised downward, to perhaps 14 billion forints or about 1.2 billion dollars.

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With the exception of the leather industry it was claimed that the output of all others exceeded the 1938 level by margins ranging from 12 percent in textiles to 112 percent in engineering in 1949. Nothing was said of the refining industry. A drastic shift to investment materials at the expense of consumer goods is apparent.

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Prior to the end of World War II Hungarian industry had used relatively large quantities of fuel oil. Reconstruction and expansion during the plan period suggest

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THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

that industrial demand for oil reached at least the wartime peak, and very probably exceeded it.

In transport the plan called for the restoration of prewar capacity with a few improvements added and imposed no insatiable demands on the oil industry. No dieselization of locomotives had been carried out before the war, and none was scheduled by the plan. In 1948 the Hungarian National Railroads used only 1,740 tons of oil, compared with 1,584,000 tons of coal and 33.24 million kilowatt-hours of electric energy.

In the final plan report it was mentioned that there were "fewer" passenger cars in 1949 than the 18,900 listed in 1938. The number of buses, however, increased 50 percent from 700 in 1938 to presumably 1,050 in 1949. According to similar calculations, there were 9,500 trucks in 1949 compared with 3,800 in 1938.

As no appreciable quantities of oil were used for the heating of private homes the 120,000 cottages built in rural areas during the plan period had no effect on oil consumption; and the total number of new apartments built in two and a half years in urban areas was only 5,200 compared with the prewar average of 10,000 annually.

Employment in mining and manufacturing (excluding handicraft) rose from 330,000 in 1938 to 443,000 by the end of 1949 but was still below the 1943 level of 470,000. Of the 1949 figure mining accounted for about 75,000 as compared with 49,000 in 1938. There were very marked increases in the transportation and building industries, each employing about 120,000 persons.

Despite the impressive increase in industrial strength in the years 1938-1949, Hungary remained an essentially agrarian country. Agriculture remained by far the most important single industry, employing an estimated 1,960,000 persons, or 46.4 percent of the working population.

Operations in the oil fields had been little disturbed

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425 471 [316] Coal mines were first on the list in the nationalization of resources. The nationalization of coal mines was logically followed by all other sources of energy and by power plants, many of which were owned by foreign corporations. In this respect the same aggressively anti-foreign methods were used that proved so successful in Rumania and Czechoslovakia. Next step in this cycle was the temporary nationalization of heavy industries for a period of at least six years. According to the brief decree of Minister of Industry, Antal Bán, the State will assume direct control of all industries through a Council of Directors which will replace the former system of capitalist owners and boards of directors managing individual corporations.[41] The new Council will serve as the employer of at least 100,000 individual workers and will reach all major executive decisions. The Minister of Industry will, in exceptional cases, serve as the final forum of appeal. Industrial profits will go to the State; if there are losses of operation the State will bear them.

Similar decrees of nationalization have recently been drafted for banks, for all forms of mining and for firms engaged in the distribution of agricultural products. Simultaneously the entire field of domestic and foreign trade was brought under the control and jurisdiction of a new Supreme Economic Council, headed by a leading member of the Communist Party, Zoltán Vas. The Council consists of the members of a new political-managerial class, replacing the earlier group of business leaders who became the victims of Fascist persecution.[42]

467 The three year plan has also provided for the creation of numerous labor unions. Since 1944 the railwaymen, post-office workers, heavy industrial workers and even government employees have formed unions, all of them in branches of industrial and public life where they had been strictly forbidden under earlier regimes. Today the unions are Communist controlled; as early as January 1946 their Communist members joined forces with the left-wing Socialists and as a majority acquired all the key-posts. The Smallholders have only scant representation. The Trade Union Council which is a group of leaders

41 Cf. *Magyar Nemzet*, Nov. 24, 1946, p. 3, for the first official announcement of the government's action, under the heading "Forced Nationalization of Hungary's Heavy Industry."

42 "The National Socialists arrested and later deported *all the leaders of Jewish political and business life* and journalists, together with the Hungarian democratic and anti-Fascist politicians." *Nazi Conspiracy and Aggression*, U. S. Government Publication (Washington, D. C., 1947), Vol. I, Chap. XI, p. 955. (Italics mine.)

1/1 [cf category 116, pp. 317 --- Analyst]